

Schedule 1
FORM ECSRC – K
ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended **December 31, 2018**

Issuer Registration number **GRENLEC27091960GR**

Grenada Electricity Services Limited

(Exact name of reporting issuer as specified in its charter)

Grenada W.I

(Territory of incorporation)

P.O. Box 381 Grand Anse, St. George's,

(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): 473-440-3391

Fax number: 473-440-4106

Email address: mail@grenlec.com

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes **X**

No _____

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Ordinary	19,000,000

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:
Collin Cover

Name of Director:
Linda George-Francis

SIGNED AND CERTIFIED

SIGNED AND CERTIFIED

Date

26th April 2019

Date

26/04/19

Name of Chief Financial Officer:

Benedict Brathwaite

SIGNED AND CERTIFIED

Signature

Date

26.4.19

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

The passage of the 2016 Electricity Supply Act and Public Utilities Regulatory Commission Act on August 1, 2016 continued to hover over the Company's operations. These two statutes fundamentally altered the regulatory and operating framework. However, the supporting regulations establishing the basis and mechanisms for calculating the Company's rates have not been produced. In the gazette of February 22, 2019 the names of the new Commissioners for the PURC who were appointed effective September 1, 2018 was published. Up to the end of the period under review no correspondence or contact had been received from the Commission.

Having filed a share repurchase demand with the Government of Grenada (GoG) on March 22, 2017 in accordance with the provisions of the 1994 Share Purchase Agreement (SPA) Grenada Private Power (GPP) owners of 50% of Grenlec's shares then commenced arbitration proceedings against the GoG in May of 2017. The arbitration proceedings are being heard by the World Bank's International Centre for Settlement of Investment Disputes (ICSID).

Both parties GPP/WRB and the GoG should have made their initial filing and subsequent response with the ICSID tribunal by the end of March 2019. The hearing before the arbitration panel is scheduled to be conducted in mid-June 2019.

On December 29, 2017 an amendment to the 2016 ESA was gazetted which made a radical change to Section 70. Under the 2016 ESA all participants in the electricity sector were required to allocate 5% of gross profits to corporate social responsibility. The amendment requires network licensees to contribute 5% of their pre-tax profits. Grenlec being currently the only network licensee obtained a legal opinion on the amendment. As a result, Grenlec filed a legal challenge to the amendment on the grounds that it constitutes an unconstitutional taking of the Company's property which is protected under Section 6 of the Grenada Constitution. A hearing in Grenada's High Court on the matter took place on January 24, 2019. This hearing was not on the merits of the case, but on the GoG filing for a stay on the grounds that the matter should not be adjudicated prior to the settlement of the ICSID arbitration. A ruling arising from this hearing is still being awaited at the time of writing.

KWh sales growth in 2018 was 4.4%. Overall kWh's sold increased by 8.75M units, with the commercial sector accounting for 6.51M and the residential sector for 1.83M.

The average electricity charge per kWh in 2018 increased by 13.9% to \$0.93 compared to \$0.81 in 2017, based on the average fuel price per imperial gallon increasing by 31.6% to \$7.67 from \$5.63. The Company's non-fuel rates continue to be that of January 1, 2016, as regulations which speak to how electricity rates will be determined have not yet been published. Over the 24 years since privatization in 1994 the domestic non-fuel rate has increased by a nominal 5.9 percent resulting in a real decline in rates of 35.4 percent.

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

<u>Property Site</u>	<u>Productive Capacity</u>
Woodlands	Warehouse
Grand Anse	Distribution Department
Grand Anse	Administration Department
Queen's Park	Production Department
Plains	Solar PV / Warehouse
Carriacou & Petite Martinique	Distribution / Production / Administration Departments

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There were no legal proceedings outstanding as at year end that could materially impact on the Company's position.

4. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

An Annual General Meeting (AGM) was held on May 8, 2018.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

A poll of Security Holders was conducted for the four Directors retiring by rotation, named below.

Alistair Bain;
Anthea DeBellotte;
Ashton Frame;
Lawrence Samuel

Only Mr. Ashton Frame of the four retiring directors stood for re-election.

The Directors elected by the poll to fill the four vacancies were as follows:

Winnifred Duncan-Phillip;
Russ Fielden;
Ashton Frame;
Cleaver Williams.

Prior to the AGM the Employees in accordance with section 76 (2) (b) of the Memorandum and Articles of Association (M&AA) elected Linda George Francis to continue as a director. The Government of Grenada in accordance with section 76 (2) (a) of the (M&AA) nominated Duane Noel.

The Board of Directors at the end of the AGM was as follows:

G. Robert Blanchard Jr. Chairman
Robert Blenker
Robert Curtis
Winnifred Duncan-Phillip
Russ Fielden
Linda George-Francis
Ashton Frame
Duane Noel
Edward Parry
Ronald Roseman
Murray Skeete
Cleaver Williams

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

PKF were re-appointed as Auditors for the year ending December 31, 2018 on a majority vote by a show of hands at the Annual General Meeting.

- (d) A description of the terms of any settlement between the registrant and any other participant.

None

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

None

5. Market for Reporting issuer's Common Equity and Related Stockholder Matters.

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

Eastern Caribbean Securities Exchange:

GRENLEC listed its shares on the ECSE in July, 2008 which means that stockholders have a ready market for the buying and selling of shares.

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

For the most recent financial year

- (i) Auditor's report; and
- (ii) Statement of Financial Position;

For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed

- (iii) Statement of Profit or Loss and other Comprehensive Income;
- (iv) Statement of Cash Flows;
- (v) Statement of Changes in Equity; and
- (vi) Notes to the Financial Statements.

7. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The major risk factors facing the Company continue to be as follows:

- Hurricanes
 - As clearly established after Hurricane Ivan hit Grenada in 2004 when approximately 90 percent of our distribution system was affected, hurricanes continue to be the most immediate and significant risk being faced. This risk has been partially offset by the strengthening of the distribution system which has been made more robust in the rebuilding period after hurricanes Ivan and Emily. Further the distribution system is maintained in this condition by a consistent pole inspection and replacement program. With each passing period that Grenada is not significantly affected by a hurricane the Company's Hurricane Reserve increases, and presently it stands at \$26M which mitigates the main risk exposure associated with post-hurricane recovery. Additionally, the Hurricane Fund of \$26.03M is more than the pre Ivan level of \$14M.
- The 2016 Electricity Supply Act, 2017 Electricity Act and the 2016 Public Regulatory Commission Act
 - The 2016 ESA and the 2016 PURC Acts had commencement dates of August 1, 2016. These Acts fundamentally alter the regulatory and operating framework. Section 71 of the 2016 ESA repealed the Electricity Supply Act, 1994 (ESA 1994). The 2016 ESA separates generation and transmission entities to allow competition in both the generation and distribution areas, and to increase generation by renewable energy. The Act is silent on the issue of whether concessions on customs duties will continue as per the Electricity Supply Act No, 39 of 2013 or be removed altogether. The regulations under the new Act have not yet been promulgated.
 - On March 22, 2017, GPP the holder of 50% of Grenlec's shares filed a demand notice with the GoG in regards to Government's Share Purchase Agreement obligations with GPP. GPP is a subsidiary of WRB Enterprises Inc who have had a Management Contract with Grenlec since

8. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

None

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

- Name and address of underwriter(s)

- Amount of expenses incurred in connection with the offer _____

- Net proceeds of the issue and a schedule of its use

- Payments to associated persons and the purpose for such payments

- (c) Report any working capital restrictions and other limitations upon the payment of dividends.

None.

9. Defaults upon Senior Securities.

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

None

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

None

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

The Company's retained earnings increased from \$22.27M in 2017 to \$28.17M at the end of the financial year 2018. The debt to equity ratio decreased to 43% from 54%. The return on invested capital for the year was 19.6% (2017 – 19.1%). Other key indicators based on financial covenants in the CIBC FirstCaribbean Loan agreement can be seen in the covenant table below.

Covenant Table

Covenants / Ratios	Covenant Ratio	2018	2017
Current Ratio	$\geq 1.35:1$	2.65:1	2.81:1
Debt Service Coverage Ratio	$\geq 1.75:1$	5.72:1	4.66:1
Funded Debt to EBITDA	$\leq 3:1$	1.12:1	1.37:1

Trade receivables increased by \$2.24M (13.9%) in 2018 as a result of higher fuel prices. The GoG's receivables remained current for the entire year and ended with a balance of \$1.36M. Debtor days reduced from the 36.35 at December 2017 to 34.80 at the end of 2018.

Total assets of \$173.30M was \$9.82M more than the \$163.48M at the end of 2017. Overall, the indicators reflect a healthy financial condition as the Company continues to operate within all of its stipulated debt covenants.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of

capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

Capital expenditure of \$12.96M in 2018 was fully financed from internally generated funding. The main areas of expenditure were plant and machinery inclusive of the distribution network and motor vehicles. The Company has over the years only utilized external financing for major capital expenditure such as new generation.

Cash flow generated from operations of \$30.31M in 2018 was above the \$21.99M of 2017 based on increased profitability and increasing trade payables resulting from higher fuel prices.

Investing activities had a net outflow of \$10.27M as expenditure related to new fixed assets amounted to \$12.96M.

Cash utilized in financing activities of \$13.88M was the same as in 2017. This was based on a dividend of fifty-two cents per share and principal repayments on the CIBC loan.

The overall increase in cash and cash equivalents for the year was \$5.33M.

The Company's projected cash flow for 2019 which considers all of its known commitments for the year indicates a capacity to sustain its operations.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

None

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls,

Overview of Results of Operations

In 2018 profit before tax of \$24.28M was 6.6% higher than the \$22.77M achieved in 2017. This increase was due mainly through growth as there was higher operating costs and an equivalent fuel cost recovery rate to that of 2017.

Non fuel revenue of \$86.67M grew by 4.1% in 2018 over the \$83.29M of 2017. KWh unit growth of 4.4% was solely responsible for this as non-fuel rates have remained unchanged since 2016.

The fuel cost recovery rate in 2018 of 100.5% matched the 100.4% of 2017 but was well below the 103.6% and 119.3% of 2016 and 2015 respectively. In 2018, fuel prices rose in every month except June. Given the three-month lag in the calculation of the fuel charge it meant a fuel cost recovery rate below 100% for most of the year. The net fuel revenue in 2018 of \$0.42M was marginally above the \$0.27M of 2017.

Non-fuel operating expenses in 2018 were \$2.31M more than that of 2017. Partly, responsible for this is the natural fluctuation of expenses based on scheduled maintenance of generators. In 2018 expenses related to overhauls and planned maintenance of engines was \$2.08M higher than that of 2017 as significant maintenance was undertaken on DG#5 in addition to a scheduled overhaul. Total operating expenses in 2018 was 5.2% above budget despite expenses being tightly controlled by Management.

Finance costs decreased by \$0.13M as there were no new borrowings. At year end 2018 the debt to equity ratio was 0.43 which was lower than the 0.54 at the end of 2017.

A regular dividend of \$9.88M or fifty-two (52) cents per share was paid with a pay-out ratio of 55.6 percent. For the prior five years 2013 – 2017 it ranged from a low of 42.9 percent in 2014 to a high of 57.5 percent in 2017. In 2016 the pay-out ratio excluding the special dividend was 53.9 percent. The Company's dividend policy is for a maximum pay-out ratio of 80-90%.

System losses in 2018 of 7.27% was the lowest on record. Over the past seven years, system losses have been contained near or below 8% which has had a direct and significant impact on financial performance.

Fuel efficiency of 19.05 kWh/IG was 0.16% above the 19.02 kWh/IG of 2017. Over the last five months of the year it averaged 19.25 kWh/IG and we are confident that this can be maintained in 2019.

Plant availability at Queen's Park of 88.6% was below the target of 90%. At Carriacou and Petite Martinique they were 97.1% which was above their target of 95%. Overall, the Company has continued to maintain a high level of efficiency in its operations.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

None

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix I and Appendix I(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

None

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

Audited Financial Statements 2018.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: G Robert Blanchard Jr. Position: Chairman

Mailing Address: ____ c/o WRB Enterprises Inc., Suite 201, ____
____ 1414 Swann Avenue, _ Tampa _____
____ Florida 33606, USA _____

Telephone No.: (813) 251-3737

List jobs held during past five years (include names of employers and dates of employment).

WRB Enterprise Inc. President

Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

BA in Political Science and Philosophy – Emory University, Atlanta CA - 1986

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Ashton Frame Position: Director

Mailing Address: _____ Golf Course, _____
_____ St. George's, _____
_____ Grenada _____

Telephone No.: (473) 444-1702

List jobs held during past five years (include names of employers and dates of employment).

Chairman – National Housing Authority – 2013 – Present

Deputy Chairman – National Insurance Board – 2013 - Present

Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

Certificate Executive Development & Management Planning – Waterloo Lutheram University, Canada

Diploma – American Institute of Banking, U.S.A

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Russ Fielden Position: Director

Mailing Address: P.O. Box 1414,
 Grand Anse
 St. George's,
 Grenada

Telephone No.: (473) 440-2535 (H); (473) 440-2382 Ext. 245 (W); (473) 405-2905

List jobs held during past five years (include names of employers and dates of employment).

Chair of Virgin Bay Ltd. (True Blue Bay Resort)

GM of True Blue Bay Resort since 1998

Give brief description of **current** responsibilities

Running True Blue Bay with over 100 employees;
Owner of Spice Island Fireworks with 4 employees;
Director of Tikal Ltd House of Chocolate, St. George's
Director Grenada Port Authority;
VP of GHTA;
Director on NE cluster;
Director on SAEP;
Director on Horizon Yacht Charters

Education (degrees or other academic qualifications, schools attended, and dates):

10 O' Levels
3 A' Levels – Queen Elizabeth Grammar School – 1968;
HND Engineering – Kingston Polytechnic – 1972;
HGV class 1 licence;
Ocean Yachts Master;
1000 Ton Coast Guard Licence;
PADI Instructor;
ICSA Accredited Director – ECSE - 2018

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Deborah Roseman Position: Director

Mailing Address: 2840 West Bay Drive;
PMB 123 Belleair Bluffs;
Tampa; Florida 3770; USA

Telephone No.: 727-954-8283

List jobs held during past five years (include names of employers and dates of employment).

2011 – 2016 General Manager WTIS-AM, inc. Tampa's first Christian radio station;
2011 – present General Manager, Seahorse and The Palms of Treasure Island, LLC Vacation rental properties on Treasure Island Beach, FL.
2014 – present General Manager 5380 Frontier Ave Energy Co LLC
Power generation plant in Niagara Falls, NY
2014 – present Deputy mayor city of Belleair Shore, Fl

Give brief description of **current** responsibilities

General Manager, Seahorse and The Palms of Treasure Island, LLC
Vacation rental properties on Treasure Island Beach, FL.
General Manager 5380 Frontier Ave Energy Co LLC
Power generation plant in Niagara Falls, NY
Deputy Mayor City of Belleair Shore, Fl

Education (degrees or other academic qualifications, schools attended, and dates):

1970 BS in medical technology University of KY
1976 MS in Immunology University of Louisville

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Robert Curtis Position: Director

Mailing Address: c/o WRB Enterprises Inc.; Suite 201;
1414 Swann Avenue;
Tampa; Florida 33606; USA

Telephone No.: 813-875-6324

List jobs held during past five years (include names of employers and dates of employment).

President and co-owner of Island Management, Inc, Viper Ventures, LLC; Sugarloaf Mountain, LLC; SOHO Investments, LLC; Ucita Properties Inc. And SWW Inc, all located in Tampa Florida.

Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

B. Sc. Commerce - University of Virginia 1988

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Winnifred Duncan-Phillip Position: Director

Mailing Address: P.O. Box 638,
St. George's,
Grenada

Telephone No.: (473) 435-5155

List jobs held during past five years (include names of employers and dates of employment).

Partner – Hannibal & Duncan Phillips, 2004 – 2017
Principal – Duncan Phillip & Associates , 2017 – Present.

Give brief description of **current** responsibilities

Attorney-at-Law and Manager of Law Firm

Education (degrees or other academic qualifications, schools attended, and dates):

University of the West Indies, Cavehill, Barbados – 1989 to 1991 – LLB Hons

Hugh Wooding Law School, 1991 to 1993 – Legal Education Certificate

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Murray Skeete Position: Director

Mailing Address: _____ c/o WRB Enterprises Inc, Suite 201, _____
 _____ 1414 Swann Avenue; _____
 _____ Tampa; Florida 33606; USA. _____

Telephone No.: 813-251-3737

List jobs held during past five years (include names of employers and dates of employment).

WRB Enterprises, Inc., Vice President, Engineering & Regulation, 1994 to Present.

Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

B. Sc. (Hons) Engineering, University of Leicester, UK – 1984.

Chartered Engineer, Institution of Engineering and Technology

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Linda George-Francis Position: Director

Mailing Address: _____ Tete Monte, _____
 _____ Calivigny, _____
 _____ St. George's , Grenada _____

Telephone No.: (473) 440-5166

List jobs held during past five years (include names of employers and dates of employment).

Administrative Assistant Purchasing – Grenlec – Retired September 2011

Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

Accredited Director – 2015

Carilec Office Administration 111 – 1995

Carilec Office Administration 11 – 1994

Carilec Office Administration 1 - 2006

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Cleaver Williams Position: Director

Mailing Address: P.O Box 1372
St. George's,
Grenada

Telephone No.: (473) 444 – 4900; 405-1176

List jobs held during past five years (include names of employers and dates of employment).

Shift Supervisor – Queen's Park Power Plant – 2013 to 2018 – Retired April 2018.

Give brief description of **current** responsibilities

Director – Grenada Electricity Services Ltd.

Education (degrees or other academic qualifications, schools attended, and dates):

Mechanical Engineering Technician, John Donaldson Technical Institute (T'dad) 1980 – 1981. (Incomplete)

6 O' Levels; GBSS, 1970 - 1976

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Robert L. Blenker Position: Director

Mailing Address: WRB Enterprises Inc.,
1414 Swann Ave, Suite 201,
Tampa, FL, 33606, USA

Telephone No.: (813) 251 - 3737

List jobs held during past five years (include names of employers and dates of employment).

WRB Enterprises, Inc. – Vice President Renewable Energy / Chief Development Officer, 2008-Present

Tennessee Valley Infrastructure Group – Vice President Business Development/Co-founder, 1998-2008

Airtricity – Vice President Wind Development, 2005-2008

Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

BSC Wildlife Management/Natural Resources Administration. The Ohio State University, 1984

MAIA Business Development Economics, Ohio University, 1988.

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Edward H Parry Position: Director

Mailing Address: 1414 W Swann Avenue,
Suite 201
Tampa, FL 33606-2533

Telephone No.: 813.251.3737

List jobs held during past five years (include names of employers and dates of employment).

WRB Enterprises – June 2016 to Present

Community Health Centers of Pinellas, Inc., St. Petersburg, Florida - 2011 to 2016.

Served as Chief Financial Officer for this \$25 million not-for-profit Federally Qualified Health Centers providing medical care to the underserved.

Diagnostic Outpatient Centers, Inc., St. Petersburg, Florida - 2008 to 2011.

Served as Executive Vice President and Chief Financial Officer for this \$5 million private medical diagnostic imaging organization.

Give brief description of **current** responsibilities

Serves as Chief Financial Officer for this privately held group of companies involved in banking, utilities and renewable energy

Education (degrees or other academic qualifications, schools attended, and dates):

Florida State University, B.A. in Accounting 1978 - 1981

Certified Public Accountant, State of Florida

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: **Duane Noel** Position: **Director**

Mailing Address: _____

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).

--

Give brief description of **current** responsibilities

--

Education (degrees or other academic qualifications, schools attended, and dates):

--

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Collin Cover Position: General Manager / CEO

Mailing Address: P.O Box 381

St. George's

Grenada

Telephone No.: (473-440-8371)

List jobs held during past five years (including names of employers and dates of employment).

Grenada Electricity Services Limited – General Manager / CEO 2014 to present

Dominica Electricity Services Ltd: General Manager 2009 - 2014

Give brief description of **current** responsibilities.

Education (degrees or other academic qualifications, schools attended, and dates):

BSc (Electrical Engineering) University of the West Indies 1975

Also a Director of the company ☐ Yes ☒ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Clive Hosten Position: Chief Engineer

Mailing Address: P.O Box 381

St. George's

Grenada

Telephone No.: (473-440-8371)

List jobs held during past five years (including names of employers and dates of employment).

Grenada Electricity Services Limited – Chief Engineer 2006 to present / Interim CEO July 2012 to July 2014

Give brief description of **current** responsibilities.

Directly oversees the following Departments:

- Planning and Engineering
- Transmission and Distribution
- Generation
- And the Safety Officer

Education (degrees or other academic qualifications, schools attended, and dates):

MBA –University of Bath - 2003

BSc (Eng) University of the West Indies 1988

Also a Director of the company [] Yes [X] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Wallace Collins

Position: Manager Carriacou & Petite Martinique

Mailing Address: Main Street

Hillsborough

Carriacou

Telephone No.: (473-443-8383)

List jobs held during past five years (including names of employers and dates of employment).

Grenada Electricity Services Ltd. – April 2013 to Present;

Grenada Electricity Services Ltd. – Sept 2012 – March 2013 – Manager in Training

Grenada Ports Authority 2000 – 2012 Supervisor, Carriacou Out Station

Give brief description of **current** responsibilities.

Manager Carriacou & PM with responsibility for all operations

Education (degrees or other academic qualifications, schools attended, and dates):

Diploma Port Management - 2007

Diploma Modern Management / Administration - 2002

Also a Director of the company ☐ Yes ☐ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Casandra Slocombe Position: Customer Services Manager

Mailing Address: P.O Box 381

St. George's,

Grenada

Telephone No.: (473-440-3391)

List jobs held during past five years (including names of employers and dates of employment).

Customer Services Manager January 2005 to present

Give brief description of **current** responsibilities.

Management of customer service activities

Education (degrees or other academic qualifications, schools attended, and dates):

Executive Diploma in Management – UWI 1999

BSc. Natural Science – University of West Indies 1997

Also a Director of the company [] Yes [X] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Benedict Brathwaite Position: Financial Controller

Mailing Address: P.O Box 381

St. George's

Grenada

Telephone No.: _____

List jobs held during past five years (including names of employers and dates of employment).

Grenada Electricity Services Limited – Financial Controller 2005 - Present

Give brief description of **current** responsibilities.

Preparation of financial statements, capital and recurrent budgets, statutory and regulatory reports and cost monitoring.

Education (degrees or other academic qualifications, schools attended, and dates):

ACCA –Emile Wolfe - 1990

BSc Economics - University of the West Indies - 1983

Also a Director of the company [] Yes [] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Eric Williams Position: Transmission and Distribution Manager

Mailing Address: _____ P.O Box 381 _____
_____ St. George's _____
_____ Grenada _____

Telephone No.: (473-444-0910) _____

List jobs held during past five years (including names of employers and dates of employment).

Distribution Manager – Grenada Electricity Services Limited (2004 – Present)

Give brief description of **current** responsibilities.

Oversees the maintenance and operational aspects of the Department.
Also the responsibility for the capital works and expansion of the network are his.

Education (degrees or other academic qualifications, schools attended, and dates):

MBA – St. George's University (SGU) 2009

B.Eng. (Hons) Electrical & Electronic Engineering - London Southbank University 1994

Also a Director of the company [] Yes [X] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Jacqueline Williams Position: Human Resource Manager

Mailing Address: P.O Box 381

St. George's

Grenada

Telephone No.: (473-440-8782)

List jobs held during past five years (including names of employers and dates of employment).

Grenada Electricity Services Ltd. Human Resource Manager 2006 - Present

Give brief description of **current** responsibilities.

The Human Resources Department is responsible for the following activities:

- Recruitment and Training
- Staff welfare and benefits
- Labour contract management
- Ensuring the staff's semi-annual appraisals are done on time
- Keeping the employees' files

Education (degrees or other academic qualifications, schools attended, and dates):

PgCert Employment Law & Practice – 2013

MSc. Organizational Psychology – 2011

SPHR – Senior Professional in Human Resources Certification – 201

How to Manage Work Place Negativity - Jamaica Employers Federation - 2005

Managerial Behaviour & Team Effectiveness - Cornell University - 1999

Batchelor of Science, Professional Management -Nova University 1995 - 1998

Industrial Relations Practices - Tourism Product Development Company - 1996

Also a Director of the company ☐ Yes ☒ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Dwayne Cenac

Position: Senior Engineer Planning & Engineering

Mailing Address: _____ P.O. Box 381 _____

_____ St. George's _____

_____ Grenada _____

Telephone No.: (1-473-444-0910) _____

List jobs held during past five years (including names of employers and dates of employment).

GRENLEC Sept 2015 – Present; Senior Electrical Engineer Planning & Engineering

GRENLEC 2011 – 2015: Electrical Engineer 11 Planning & Engineering

Give brief description of **current** responsibilities.

Accountable for ensuring that all engineering, network mapping and all other system requirements, including capital projects, are in place to support Grenlec's generation, transmission and distribution objectives.

Education (degrees or other academic qualifications, schools attended, and dates):

Electrical Engineering, Universad de Oriente – Santiago de Cuba - 2004

Also a Director of the company ☐ Yes ☒ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Jeffrey Neptune Position: _____

Mailing Address: _____ C/O Grenlec, P.O. Box 381, _____

_____ St. George's _____

_____ Grenada _____

Telephone No.: 473-407-2643

List jobs held during past five years (including names of employers and dates of employment).

Manager of IS (Grenlec)

Give brief description of **current** responsibilities.

- Continuously review the company's computer based information systems requirements and develop plans and program to meet these requirements.
- Coordinates the technical design, implementation and maintenance of the Company's computer-based information processing systems.
- System security

Education (degrees or other academic qualifications, schools attended, and dates):

BSc. Computer Science (Hons) – UWI - 1993

Meng Computer Engineering (Internetworking) – Dalhousie, Canada - 2001

Also a Director of the company [] Yes [X] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Prudence Greenidge Position: Corporate Communications Manager

Mailing Address: P.O. Box 1210

Grand Anse, St. George

Grenada

Telephone No.: (473) 409 1152

List jobs held during past five years (including names of employers and dates of employment).

Corporate Communications Manager, Grenada Electricity Services Ltd. (April 2009-present)

Give brief description of **current** responsibilities.

Create, implement and oversee internal and external communications programmes.
Manage the Company's philanthropic programmes.
Development and implementation of communications strategies for key issues that affect Grenlec.
Runs Customer Care programs

Education (degrees or other academic qualifications, schools attended, and dates):

Robert Gordon University – MSc, Corporate Communications and Public Affairs (2008-2011)

St. George's University – BSc, Social Sciences (2000-2002)

Also a Director of the company ☐ Yes ☒ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.



Accountants &
business advisers

GRENADA ELECTRICITY SERVICES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER, 2018

GRENADA ELECTRICITY SERVICES LIMITED



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2018**

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**GRENADA ELECTRICITY SERVICES LIMITED
DIRECTORS AND OFFICERS**

DIRECTORS:

(As at December 31, 2018)

G. Robert Blanchard Jr. –Chairman
Robert Blenker
Robert Curtis
Winnifred Duncan-Phillip
Russ Fielden
Ashton Frame
Linda George- Francis
Duane Noel
Edward Parry
Deborah Roseman
Murray Skeete
Cleaver Williams

GENERAL MANAGER/ CEO:

Collin Cover

SECRETARY:

Benedict Brathwaite

REGISTERED OFFICE:

Dusty Highway
Grand Anse
St. George's
Grenada

BANKERS:

CIBC FirstCaribbean International Bank (Barbados) Limited
Church Street
St. George's, Grenada

Republic Bank (Grenada) Limited
Republic House
Grand Anse
St. George's, Grenada

Cayman National Bank
Grand Cayman
Cayman Islands

RBTT Bank Grenada Limited
Cnr. Cross & Halifax Streets
St. George's, Grenada

Bank of Nova Scotia
Cnr. Granby and Halifax Streets
St. George's, Grenada

Grenada Co-operative Bank Limited
Church Street
St. George's

The Bank of Tampa
Florida, U.S.A.

ATTORNEYS-AT-LAW:

Mitchell & Co.
Grand Anse,
St. George's, Grenada

AUDITORS:

PKF
Accountants and business advisers
Pannell House
Grand Anse
St. George's, Grenada



Accountants &
business advisers

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED

Opinion

We have audited the financial statements of Grenada Electricity Services Limited ('the Company'), which comprise the statement of financial position at December 31st, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31st, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Grenada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current year. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters. There were no key audit matters to communicate.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
GRENADA ELECTRICITY SERVICES LIMITED
(continued)**

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
GRENADA ELECTRICITY SERVICES LIMITED
(continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists; we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Henry A. Joseph.

GRENADA

March 13th, 2019

PKF

Accountants & Business Advisers

GRENADA ELECTRICITY SERVICES LIMITED



STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2018
(Expressed in Eastern Caribbean Currency Dollars)

ASSETS	Notes	2018 \$	2017 \$
Non-Current Assets			
Property, plant and equipment	4	82,003,320	79,385,244
Suspense jobs in progress	5	2,158,140	1,621,984
Capital work in progress	6	<u>8,625,034</u>	<u>6,360,367</u>
		<u>92,786,494</u>	<u>87,367,595</u>
Current Assets			
Inventories	8	18,091,756	17,212,092
Trade and other receivables	9	24,643,400	22,941,058
Income tax prepaid		-	92,157
Financial assets at amortised cost	7	32,457,315	34,406,935
Cash and cash equivalents	10	<u>5,325,629</u>	<u>1,460,892</u>
		<u>80,518,100</u>	<u>76,113,134</u>
TOTAL ASSETS		<u>173,304,594</u>	<u>163,480,729</u>
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	11	32,339,840	32,339,840
Hurricane insurance reserve	15	26,000,000	24,000,000
Retained earnings		<u>28,170,393</u>	<u>22,266,799</u>
		<u>86,510,233</u>	<u>78,606,639</u>
Non-Current Liabilities			
Customers' deposits	12	16,525,518	15,404,496
Long-term borrowings	13	33,034,375	37,038,542
Deferred tax liability	20	<u>6,763,168</u>	<u>5,301,241</u>
		<u>56,323,061</u>	<u>57,744,279</u>
Current Liabilities			
Due to related company		117,489	-
Short-term borrowings	13	4,004,167	6,300,573
Trade and other payables	16	20,148,200	14,660,688
Customers' contribution to line extensions	2 (m)	457,735	1,167,900
Provision for retirement benefits	14	193,554	405,678
Provision for profit sharing		4,775,925	4,594,972
Provision for income tax		<u>774,230</u>	<u>-</u>
		<u>30,471,300</u>	<u>27,129,811</u>
TOTAL LIABILITIES		<u>86,794,361</u>	<u>84,874,090</u>
TOTAL EQUITY AND LIABILITIES		<u>173,304,594</u>	<u>163,480,729</u>

The accompanying notes form an integral part of these financial statements

These financial statements were approved by the Board of Directors on March 13th, 2019 and signed on its behalf by:

:Director

:Director



GRENADA ELECTRICITY SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2018**

(Expressed in Eastern Caribbean Currency Dollars)

	Notes	2018 \$	2017 \$
INCOME			
Sales - non fuel charge		86,669,272	83,287,156
- fuel charge		92,155,050	65,636,365
Unbilled sales adjustments	2 (v)	<u>1,374,043</u>	<u>794,034</u>
Gross Sales		180,198,365	149,717,555
Other income	17	<u>1,540,400</u>	<u>1,818,788</u>
Total income		<u>181,738,765</u>	<u>151,536,343</u>
LESS: OPERATING EXPENSES			
Production expenses		17,792,313	14,881,136
Diesel consumed		91,744,790	65,370,240
Administrative expenses		19,773,867	20,420,675
Distribution services		15,287,470	15,436,571
Planning and engineering		<u>2,826,463</u>	<u>2,635,220</u>
Total operating expenses		<u>147,424,903</u>	<u>118,743,842</u>
Operating profit		34,313,862	32,792,501
Less: Finance costs	18	<u>2,531,740</u>	<u>2,660,580</u>
Profit for year before allocations and taxation		<u>31,782,122</u>	<u>30,131,921</u>
ALLOCATIONS			
Less: Donations		1,489,106	1,406,596
Profit sharing		<u>6,015,422</u>	<u>5,952,245</u>
		<u>7,504,528</u>	<u>7,358,841</u>
Profit for year before taxation			
Less: Provision for taxation		24,277,594	22,773,080
Current tax	20	5,032,073	4,257,843
Deferred tax	20	<u>1,461,927</u>	<u>1,344,888</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>17,783,594</u>	<u>17,170,349</u>
EARNINGS PER SHARE		<u>0.94</u>	<u>0.90</u>

The accompanying notes form an integral part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2018**
(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital \$	Hurricane Insurance Reserve \$	Retained Earnings \$	Total Equity \$
Balance at 1 st January, 2017	32,339,840	22,000,000	16,976,450	71,316,290
Dividends paid	-	-	(9,880,000)	(9,880,000)
Allocation for the year	-	2,000,000	(2,000,000)	-
Total comprehensive income for the year: Profit for the year after taxation	<u>-</u>	<u>-</u>	<u>17,170,349</u>	<u>17,170,349</u>
Balance at 31 st December, 2017	32,339,840	24,000,000	22,266,799	78,606,639
Dividends paid	-	-	(9,880,000)	(9,880,000)
Allocation for the year	-	2,000,000	(2,000,000)	-
Total comprehensive income for the year: Profit for the year after taxation	<u>-</u>	<u>-</u>	<u>17,783,594</u>	<u>17,783,594</u>
Balance at 31 st December, 2018	<u>32,339,840</u>	<u>26,000,000</u>	<u>28,170,393</u>	<u>86,510,233</u>

The accompanying notes form an integral part of these financial statements



GRENADA ELECTRICITY SERVICES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2018**
(Expressed in Eastern Caribbean Currency Dollars)

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Profit for the year before taxation	24,277,594	22,773,080
Adjustments for:		
Depreciation	6,799,845	6,210,754
Gain on disposal of property, plant and equipment	(174)	(102,390)
Operating surplus before working capital changes	31,077,265	28,881,444
Increase in trade and other receivables	(1,702,342)	(2,971,164)
Increase in trade and other payables	5,898,369	2,362,297
(Decrease)/increase in provision for retirement benefits	(212,124)	210,423
Increase in inventories	(879,664)	(770,871)
Increase in amount due to related company	117,489	-
Increase/(decrease) in provision for profit sharing	180,953	(365,661)
	<u>34,479,946</u>	<u>27,346,468</u>
Income tax paid	(4,165,686)	(5,358,510)
Cash provided by operating activities	<u>30,314,260</u>	<u>21,987,958</u>
INVESTING ACTIVITIES		
Disposal of property, plant and equipment	500	102,920
(Increase)/decrease in suspense jobs in progress	(536,156)	674,671
(Increase)/decrease in capital work in progress	(2,264,667)	2,285,370
Decrease/(increase) in financial assets	1,949,620	(195,326)
Increase in customers' contribution to line extensions	741,536	2,050,665
Purchase of property, plant and equipment	(10,159,783)	(15,713,010)
Cash used in investing activities	<u>(10,268,950)</u>	<u>(10,794,710)</u>
FINANCING ACTIVITIES		
Dividends paid	(9,880,000)	(9,880,000)
Repayment of borrowings	(4,004,167)	(4,004,167)
Cash used in financing activities	<u>(13,884,167)</u>	<u>(13,884,167)</u>
Net increase/(decrease) in cash and cash equivalents	6,161,143	(2,690,919)
Cash and cash equivalents - at the beginning of year	<u>(835,514)</u>	<u>1,855,405</u>
- at the end of year	<u>5,325,629</u>	<u>(835,514)</u>
REPRESENTED BY		
Cash and cash equivalents	<u>5,325,629</u>	<u>(835,514)</u>

The accompanying notes form an integral part of these financial statements



GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2018

1. CORPORATE INFORMATION

Grenada Electricity Services Limited (the Company) is public and is registered in Grenada. It is engaged in the generation and supply of electricity throughout Grenada, Carriacou and Petit Martinique. It is a subsidiary of Grenada Private Power Limited of which WRB Enterprises, Inc. is the majority owner.

The Company was issued a certificate of continuance under Section 365 of the Companies Act on November 8th, 1996.

The Company operates under the Electricity Supply Act 19 of 2016 and has a licence for the exercise and performance of functions relating to the supply of electricity in Grenada. The Company is listed on the Eastern Caribbean Securities Exchange.

The registered office is situated at Grand Anse, St. George's, Grenada.

The Company employed on average two hundred and thirty-three (233) persons during the year (2017- 244).

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and under the historical cost convention. The financial statements are expressed in Eastern Caribbean Dollars.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 3.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures

(i) New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017 except for the adoption of new standards and interpretations below.

IFRS 9 Financial Instruments (effective 1 January 2018)

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods on or after 1 January 2018.

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale, held-to-maturity and loans and receivables) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at FVPL

Due to the above as of 1 January 2018, the Company has re-classified its previous loans and receivable financial assets, to financial assets at amortised cost.

The accounting for financial liabilities remains largely the same as it was under IAS 39 which is at amortised cost.

The classification and measurement requirements of IFRS 9 did not have a material impact on the Company. As a result, no adjustment was necessary to the prior year's figures.

The Company's classification of its financial assets and liabilities is disclosed in Note 2 (e).

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2018

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(i) New accounting policies/improvements adopted (continued)

IFRS 9 Financial Instruments (effective 1 January 2018) (continued)

Changes to impairment calculation

The adoption of IFRS 9 has changed the Company's accounting for financial assets impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all financial assets not held at FVPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

The Company now uses a provision matrix to calculate ECLs for trade receivables.

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in scope for other standards, such as IAS 17 Leases (or IFRS 16, once effective). It also provides a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(i) New accounting policies/improvements adopted (continued)

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) (continued)

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The standard is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or a modified retrospective approach which is applied as an adjustment to retained earnings on the date of adoption. When the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period.

The adoption of this standard has no impact on the Company.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective 1 January 2018)

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transactions
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The adoption of this standard has no impact on the Company.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(i) New accounting policies/improvements adopted (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The adoption of this standard has no impact on the Company.

(ii) Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards where appropriate, when they become effective.

- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement (Effective 1 January 2019)
- IFRS 16 - Leases (Effective 1 January 2019)
- IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments (Effective 1 January 2019)
- IFRS 17 - Insurance Contracts (Effective 1 January 2021)
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor or Joint Venture – Amendments to IFRS 10 and IAS 28 - (Effective date postponed indefinitely)
- IFRS 9 – Prepayment features with negative compensation (Effective 1 January 2019)
- Amendments to IAS 28 – Long-term Interest in Associates and Joint Ventures (Effective 1 January 2019)
- Amendments to References of the Conceptual Framework in IFRS Standards (Effective 1 January 2020)

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(iii) Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRSs.

The following amendments are applicable to annual periods beginning on or after 1 January 2019.

<i>IFRS</i>	<i>Subject of Amendment</i>
IFRS 3	Business Combinations – Previously held interests in a joint operation.
IFRS 11	Joint Arrangements – Previously held interests in a joint operation.
IAS 12	Income Taxes – Income tax consequences of payments on financial instruments classified as equity.
IAS 23	Borrowing Costs – Borrowing costs eligible for capitalization.

(c) Property, Plant and Equipment

Recognition and Measurement

Property, plant and equipment consist of building, plant and machinery, motor vehicles, furniture and fittings and are stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in the statement of comprehensive income.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

Subsequent Expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing and other repairs and maintenance of property, plant and equipment are recognized in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and rights are not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and available for use.

The annual rates of depreciation for the current and comparative periods are as follows:

	% Per Annum
Building and construction	2.5 - 10
Plant and machinery	3.3 - 10
Motor vehicles	15
Furniture, fittings and equipment	12.5 - 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018**

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign Currencies Translation

Foreign currency transactions during the year were converted into Eastern Caribbean Currency Dollars at the exchange rates prevailing at the dates of the transactions. Assets and liabilities at the statement of financial position date are expressed in EC\$ at the following rate:

EC\$2.7169 to US\$1.00 - (2017: EC\$2.7169)

Differences on exchange on current liabilities are reflected in the statement of comprehensive income in arriving at net income for the year.

(e) Financial Instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at **amortised cost**:

- the financial asset is held in order to collect contractual cash flows; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments that meet the following conditions are subsequently measured at **fair value through other comprehensive income (FVTOCI)**:

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018**

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

- the financial asset is held with the objective to achieve by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at **fair value through profit or loss (FVTPL)**.

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018**

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (ECL) model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

From 1st January 2018 the Company has been recording an allowance for expected credit losses for its trade receivables using a simplified approach to calculating ECLs whereby it recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL on these financial assets are estimated using a provision matrix that is based on its' historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates used in the provision matrix are based on days past due.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If on the other hand the credit risk on a financial instrument has not increased significantly since initial recognition the Company recognizes the loss allowance for the financial instrument at an amount equal to 12-month ECL where applicable. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or actual default occurring.

Lifetime ECL represents the expected credit losses that will result for all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible with 12 months after the reporting date.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018**

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Impairment (continued)

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset has occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (i) Significant financial difficulty of the issuer or borrower;
- (ii) A breach of contract, such as a default or past due event;
- (iii) It is becoming probable that the borrower will enter in bankruptcy or other financial re-organization; and
- (iv) The disappearance of an active market for that financial assets because of financial difficulties

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by the default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018**

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Impairment (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Impairment (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is:

- 1) contingent consideration of an acquirer in a business combination,
- 2) held for trading, or
- 3) it is designated as at FVTPL.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2018

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Financial liabilities subsequently measured at amortised cost:

Financial liabilities that are not:

- 1) contingent consideration of an acquirer in a business combination,
- 2) held-for-trading, or
- 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

IFRS 7 Financial Instruments: Disclosures Revised

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 - Financial Instruments: Disclosures revised was up-dated and the Company has adopted it, together with IFRS 9, for the year beginning 1 January, 2018. Changes include transition disclosures as shown in this Note.

Transition disclosures

The following sets out the impact of adopting IFRS 9 on the statement of financial position, which is the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018**

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the company's financial assets and financial liabilities as at January 1, 2018.

	IAS 39 measurement		Remeasurement	Reclassification	IFRS 9	
Financial assets	Category	Amounts	Amount	ECL	Amount	Category
Cash and cash equivalents	L&R	1,460,892	-	-	1,460,892	AC
Trade and other receivable	L&R	22,941,058	-	-	22,941,058	AC
Loans and receivables financial assets	L&R	33,606,869	(33,606,869)	-	-	
Available-for-sales financial assets	L&R	800,066	(800,066)	-	-	
Financial asset as amortised cost:						
From loans and receivable and available for sale financial assets		-	34,406,935	-	34,406,935	AC
		<u>\$58,808,885</u>	<u>-</u>	<u>-</u>	<u>\$58,808,885</u>	
Financial Liabilities						
Customer's deposits	AC	15,404,496	-	-	15,404,496	AC
Loans and borrowing – long-term	AC	37,038,542	-	-	37,038,542	AC
- short term	AC	6,300,573	-	-	6,300,573	AC
Trade and other payable	AC	14,660,688	-	-	14,660,688	AC
Customers' contribution to line extensions	AC	1,167,900	-	-	1,167,900	AC
Provision for retirement benefits	AC	405,678	-	-	405,678	AC
Provision for profit sharing	AC	4,594,972	-	-	4,594,972	AC
		<u>\$79,572,849</u>	<u>-</u>	<u>-</u>	<u>79,572,849</u>	

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2018

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial Instruments (continued)*

As of 1 January 2018, the Company has re-classified its previous loans and receivable financial assets portfolio as debt securities at amortised cost. These instruments met the solely payments of principal and interest (SPPI) criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell.

(f) *Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the price at which stock can be realized in the normal course of business.

(g) *Trade receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables, being short-term, are not discounted. The Company used a provision matrix to calculate its provision for expected credit loss.

(h) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank and short-term demand deposits with original maturity of three (3) months or less.

(i) *Stated capital*

Ordinary shares are classified as equity.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(k) Borrowings

Borrowings are recognised at fair value net of transaction cost incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds, net of transaction cost, and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve (12) months after the date of the statement of financial position.

(l) Customers' deposits

Given the long-term nature of the customer relationship, customer deposits are shown in the statement of financial position as non-current liabilities (i.e. not likely to be repaid within twelve (12) months of the date of the statement of financial position).

(m) Customers' contribution to line extensions

In certain specified circumstances, customers requiring line extensions are required to contribute toward the estimated capital cost of the extensions. These contributions are amortised over the estimated useful lives of the relevant capital cost at an annual rate of 4.5%. The annual amortisation of customer contributions is deducted from the depreciation charge for Transmission and Distribution provided in respect of the capital cost of these line extensions.

Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed. Contributions received in respect of jobs not yet started or completed at the year-end are grouped with creditors, accrued charges and provisions. The capital costs of customer line extensions are included in property, plant and equipment.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2018

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee benefits

Profit sharing scheme

The Company operates a profit sharing scheme and the profit share to be distributed to Unionized employees each year is based on the terms outlined in the Union Agreement. Employees receive their profit share in cash. The Company accounts for profit sharing as an expense, through the statement of comprehensive income. The Company also has a gainsharing plan for management employees that is accounted for in the same manner as profit sharing.

(o) Income tax

The charge for the current year is based on the results for the year as adjusted for disallowed expenses and non-taxable income. It is calculated using the applicable tax rates for the period.

(p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

(i) Sale of energy

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision of 50% of the current month's billings is made to record unbilled energy sales at the end of each month. This estimate is reviewed periodically to assess reasonableness and adjusted where required. The provision for unbilled sales is included in accrued income.

(ii) Interest income

Interest income is recognised on an accrual basis.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2018

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Dividends

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividends that are proposed and declared after the statement of financial position date are not shown as a liability on the statement of financial position but are disclosed as a note to the financial statements.

(s) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Transactions entered into with related parties in the normal course of business are carried out on commercial terms and conditions during the year.

(t) Finance costs

Finance costs are recognised in the statement of comprehensive income as an expense in the period in which they are incurred.

(u) Provision for impairment of trade receivables

Provision is made as follows:

100% on receivables ≥ 90 days

50% on receivables ≥ 60 days

3% on receivables ≥ 30 days

0.5% on receivables < 30 days, all net of Government of Grenada balances.

Accounts are written off against the provision when they are considered to be uncollectible. The total provision at 31st December, 2018 amounted to \$3,470,372 (2017 - \$3,308,361).

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provision for unbilled sales

The provision and adjustment with comparatives at 31st December, 2018 are calculated as follows:

	2018	2017
	\$	\$
Sales revenue for December after discounts	<u>16,020,967</u>	<u>13,272,881</u>
50% of above = provision at 31/12/18	8,010,483	6,636,440
= provision at 31/12/17	<u>6,636,440</u>	<u>5,842,406</u>
Increase in provision during the year	<u>1,374,043</u>	<u>794,034</u>

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, revenues and expenses. The items which may have the most effect on these financial statements are set out below.

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING
ACCOUNTING POLICIES (continued)**

Property, plant and equipment

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of these assets.

Impairment of inventory

Provision is made for slow-moving and obsolete stock on an annual basis.

Unbilled sales

A provision of 50% of the current month's billing is made to record unbilled energy sales at the end of each month. This estimate is reviewed periodically to assess reasonableness and adjusted where required. The actual energy sales will be different from the estimate made.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018**

(continued)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
Balance at 1st January, 2017						
Cost	1,467,468	30,555,267	227,170,932	10,916,768	11,499,739	281,610,174
Accumulated depreciation	-	(18,396,052)	(168,081,171)	(8,728,251)	(7,099,962)	(202,305,436)
NET BOOK VALUE	<u>\$1,467,468</u>	<u>\$12,159,215</u>	<u>\$59,089,761</u>	<u>\$2,188,517</u>	<u>\$4,399,777</u>	<u>\$79,304,738</u>
For year ended 31st December, 2017						
Opening book value	1,467,468	12,159,215	59,089,761	2,188,517	4,399,777	79,304,738
Additions for the year	397,392	19,999	12,907,266	1,439,501	948,852	15,713,010
Disposals for the year	-	-	-	-	(530)	(530)
Depreciation charge for year	-	(487,233)	(4,060,714)	(439,471)	(1,223,336)	(6,210,754)
NET BOOK VALUE	<u>\$1,864,860</u>	<u>\$11,691,981</u>	<u>\$67,936,313</u>	<u>\$3,188,547</u>	<u>\$4,124,763</u>	<u>\$88,806,464</u>
Balance at 31st December, 2017						
Cost	1,864,860	30,575,266	240,078,198	12,356,269	11,769,107	296,643,700
Accumulated depreciation	-	(18,883,285)	(172,141,885)	(9,167,722)	(7,644,344)	(207,837,236)
	1,864,860	11,691,981	67,936,313	3,188,547	4,124,763	88,806,464
Less: Customer contribution to line extensions	-	-	-	-	-	(9,421,220)
NET BOOK VALUE	<u>\$1,864,860</u>	<u>\$11,691,981</u>	<u>\$67,936,313</u>	<u>\$3,188,547</u>	<u>\$4,124,763</u>	<u>\$79,385,244</u>

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018**

(continued)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
For year ended 31st December, 2018						
Opening book value	1,864,860	11,691,981	67,936,313	3,188,547	4,124,763	88,806,464
Additions for the year	-	11,728	6,923,298	1,857,000	1,367,757	10,159,783
Disposals for the year	-	-	-	-	(326)	(326)
Depreciation charge for year	-	(484,707)	(4,492,429)	(622,352)	(1,200,357)	(6,799,845)
NET BOOK VALUE	<u>\$1,864,860</u>	<u>\$11,219,002</u>	<u>\$70,367,182</u>	<u>\$4,423,195</u>	<u>\$4,291,837</u>	<u>\$92,166,076</u>
Balance at 31st December, 2018						
Cost	1,864,860	30,586,994	247,001,496	14,213,269	13,136,538	306,803,157
Accumulated depreciation	-	(19,367,992)	(176,634,314)	(9,790,074)	(8,844,701)	(214,637,081)
	1,864,860	11,219,002	70,367,182	4,423,195	4,291,837	92,166,076
Less: Customer contribution to line extensions	-	-	-	-	-	(10,162,756)
NET BOOK VALUE	<u>\$1,864,860</u>	<u>\$11,219,002</u>	<u>\$70,367,182</u>	<u>\$4,423,195</u>	<u>\$4,291,837</u>	<u>\$82,003,320</u>

GRENADA ELECTRICITY SERVICES LIMITED



**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

5. SUSPENSE JOBS IN PROGRESS

This represents capital injections with respect to requested customers' suspense jobs not completed at year-end.

6. CAPITAL WORK IN PROGRESS

	2018	2017
	\$	\$
Generation	7,707,485	5,744,258
Computers and software upgrades	15,898	58,527
Furniture and equipment	470,661	-
Distribution	417,555	533,802
Motor vehicles	<u>13,435</u>	<u>23,780</u>
	<u>8,625,034</u>	<u>6,360,367</u>

7. FINANCIAL ASSETS

Amortised cost

Government of Grenada - Treasury Bills	800,066	800,066
Fixed deposit – Republic Bank (Grenada) Limited	10,027,034	10,013,884
Fixed deposit – Grenada Co-operative Bank Limited	8,431,798	10,415,563
Fixed deposit – RBTT Bank Grenada Limited	10,460,471	10,450,016
US\$ certificate of deposit- Cayman National	<u>2,737,946</u>	<u>2,727,406</u>
	<u>32,457,315</u>	<u>34,406,935</u>

Included in the above is an amount of \$26,034,700.57 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Republic Bank (Grenada) Limited, RBTT Bank Grenada Limited, Cayman National Bank and the Grenada Co-operative Bank Limited.



GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018**

(continued)

8. INVENTORIES

	2018	2017
	\$	\$
The following is a breakdown of stock on hand:		
Motor vehicle spares	1,126,339	995,936
Distribution	6,316,377	5,825,150
Generation spares	8,902,737	8,733,543
Fuel and lubricating oil	465,372	453,585
General stores	<u>2,553,203</u>	<u>2,409,957</u>
	19,364,028	18,418,171
Less: Obsolescence provision	<u>1,272,272</u>	<u>1,206,079</u>
	<u>18,091,756</u>	<u>17,212,092</u>

9. (a) TRADE AND OTHER RECEIVABLES

Customers' accounts	18,378,502	16,136,012
Less: Provision for impairment of trade receivables	<u>3,462,155</u>	<u>3,290,368</u>
	<u>14,916,347</u>	<u>12,845,644</u>
Trade receivables- net		
	977,940	1,566,326
Other debtors	<u>8,218</u>	<u>17,993</u>
Less: Provision for doubtful debts		
	<u>969,722</u>	<u>1,548,333</u>
	15,886,069	14,393,977
Provision for unbilled sales	8,010,484	6,636,440
Prepayments	<u>746,847</u>	<u>1,910,641</u>
	<u>24,643,400</u>	<u>22,941,058</u>

As of the statement of financial position date, the lifetime expected loss provision for trade receivables is as follows:

	30 days	31-60 days	61-90 day	Over 90 days	Total
Expected loss rate	0.5%	3%	50%	100%	
Gross carrying amount	\$13,086,811	\$1,771,186	\$363,257	\$3,157,248	\$18,378,502
Expected credit loss	\$70,146	\$53,132	\$181,629	\$3,157,248	<u>\$3,462,155</u>
					<u>\$14,916,347</u>

GRENADA ELECTRICITY SERVICES LIMITED



**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

9. (b) PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

	2018	2017
	\$	\$
(i) Customers' accounts		
As at December 31 st , 2017	3,290,368	3,594,296
Net change in provision	<u>171,787</u>	<u>(303,928)</u>
As at December 31 st , 2018	<u>3,462,155</u>	<u>3,290,368</u>
(ii) Other debtors		
As at December 31 st , 2017	17,993	463,594
Net change in provision	<u>(9,775)</u>	<u>(445,601)</u>
As at December 31 st , 2018	<u>8,218</u>	<u>17,993</u>

10. CASH AND CASH EQUIVALENTS

Cash on hand	6,700	6,700
Bank of Tampa	538,306	378,406
Bank of Nova Scotia	760,271	84,488
Republic Bank (Grenada) Limited	1,325,872	462,066
CIBC FirstCaribbean International Bank Limited	2,440,236	456,419
Grenada Co-operative Bank Limited	<u>254,244</u>	<u>72,813</u>
	5,325,629	1,460,892
Bank overdraft (note 13)	<u>-</u>	<u>(2,296,406)</u>
Cash and cash equivalents in the statement of cash flows	<u>5,325,629</u>	<u>(835,514)</u>

11. STATED CAPITAL

Authorised		
25,000,000 ordinary shares of no par value		
Issued and fully paid		
19,000,000 ordinary shares of no par value	<u>32,339,840</u>	<u>32,339,840</u>

GRENADA ELECTRICITY SERVICES LIMITED



NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2018 (continued)

12. CUSTOMERS' DEPOSITS

All customers are required in accordance with the 2016 Electricity Supply Act (ESA) Schedule 1 to provide a security deposit which is normally equivalent to one (1) month's consumption. Interest accrued is credited to customers' accounts in the first billing cycle of the year. The cash deposit is refunded with accumulated interest when the account is terminated.

13. BORROWINGS

	2018 \$	2017 \$
<i>Long-term</i>		
CIBC First Caribbean International Bank Limited	37,038,542	41,042,709
Less: Current portion	<u>4,004,167</u>	<u>4,004,167</u>
Total long-term	<u>33,034,375</u>	<u>37,038,542</u>
<i>Short-term</i>		
Bank overdraft	-	2,296,406
Borrowings current portion	<u>4,004,167</u>	<u>4,004,167</u>
Total short-term	<u>4,004,167</u>	<u>6,300,573</u>
Total borrowings	<u>37,038,542</u>	<u>43,339,115</u>

On February 29, 2016 the Company signed a Mortgage Debenture with CIBC First Caribbean International Bank (Barbados) Limited (the Bank) for a credit facility of up to XCD\$48,050,000.00.

The loan bears interest at a rate of 4.75% per annum over the first five years and thereafter the interest will be the prime rate less 5.90% subject to a floor of 3.60% per annum. Presently the prime rate is 8.50% per annum. The loan is amortized over a twelve-year period and repayable via thirty-two (32) quarterly principal payments of XCD\$1,001,041.67 with a balloon payment of XCD\$16,016,666.56. Interest is paid quarterly in arrears and accrue on an actual/365-day basis. The facility is collateralized under a first priority mortgage obligation and debenture charge over the fixed and floating assets of the Borrower stamped to cover XCD\$48,050,000.

The Company has an overdraft facility of \$6.0 million with CIBC First Caribbean International Bank Limited with interest at the rate of 6% per annum.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2018

(continued)

14. PROVISION FOR RETIREMENT BENEFITS

The Company operates a defined contribution plan for its employees. Payment of benefits accrued is made upon the resignation or retirement of employees by the relevant Trust.

The balance of \$193,553.84 at the statement of financial position date relates to amounts payable to the Trusts for December 2018.

15. PROVISION FOR HURRICANE INSURANCE RESERVE

	2018	2017
	\$	\$
Balance at beginning of year	24,000,000	22,000,000
Add: Provision for the year	<u>2,000,000</u>	<u>2,000,000</u>
Balance at end of year	<u>26,000,000</u>	<u>24,000,000</u>

16. TRADE AND OTHER PAYABLES

Trade creditors	9,402,962	7,944,029
Sundry creditors	4,246,846	4,050,575
Accrued expenses	<u>6,498,392</u>	<u>2,666,084</u>
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	<u>20,148,200</u>	<u>14,660,688</u>

17. OTHER INCOME

Sundry revenue	1,540,226	1,715,868
Gain on disposal of fixed assets	<u>174</u>	<u>102,920</u>
	<u>1,540,400</u>	<u>1,818,788</u>



GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2018

(continued)

18. FINANCE COSTS

	2018	2017
	\$	\$
Bank loans/Bond interest	1,870,714	2,060,912
Other bank interest	46,396	16,269
Customer deposit interest	<u>614,630</u>	<u>583,399</u>
	<u>2,531,740</u>	<u>2,660,580</u>

19. RELATED PARTY TRANSACTIONS

- i) The following transactions were carried out with WRB Enterprises, Inc., Grenada Private Power Limited and the National Insurance Scheme:

a) Sale of electricity - NIS	<u>230,704</u>	<u>199,083</u>
b) Management services- WRB Enterprises, Inc.	<u>600,000</u>	<u>600,000</u>
c) Payment of dividends:		
NIS	<u>1,146,516</u>	<u>1,146,516</u>
Grenada Private Power Limited	<u>4,940,000</u>	<u>4,940,000</u>

- ii) Compensation of key management personnel of the Company:

Salaries and other benefits	<u>3,625,056</u>	<u>3,532,413</u>
Directors' Fees	<u>267,154</u>	<u>259,520</u>
Past employment benefit provisions	<u>482,591</u>	<u>469,848</u>
Loans receivable from key management personnel	<u>76,512</u>	<u>122,527</u>

GRENADA ELECTRICITY SERVICES LIMITED



**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018**

(continued)

20. TAXATION

Current year

Income taxes in the statement of comprehensive income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

	2018 \$	2017 \$
Profit for the year before taxation	<u>24,277,594</u>	<u>22,773,080</u>
Tax at applicable statutory rate (30%)	7,283,278	6,231,924
Tax effect of items that are adjustable in determining:		
Tax effect of hurricane reserve	(600,000)	(600,000)
Tax exempt income	(27,685)	(100,745)
Effect of expenses not deductible for tax purposes	<u>(1,623,520)</u>	<u>(1,873,336)</u>
Provision for taxation	<u>5,032,073</u>	<u>4,257,843</u>

Deferred tax liability

Balance at the beginning of the year	(5,301,241)	3,956,353)
Deferred tax charge	<u>(1,461,927)</u>	<u>(1,344,888)</u>
Balance at the end of the year	<u>(6,763,168)</u>	<u>(5,301,241)</u>

The deferred tax liability consists of the following components:

Delayed tax depreciation	<u>22,543,894</u>	<u>17,676,803</u>
Deferred tax liability at 30%	<u>(6,763,168)</u>	<u>(5,301,241)</u>

21. CONTINGENT LIABILITIES

At the statement of financial position date, the Company was contingently liable to the Government of Grenada for customs bonds in the amount of \$100,000.

GRENADA ELECTRICITY SERVICES LIMITED



NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2018 (continued)

22. DIVIDENDS

During the year ended December 31st, 2018, a dividend of 52 cents per ordinary share amounting to \$9,880,000 was declared and paid.

23. RESTATED FIGURES

Statement of Comprehensive Income

The hurricane insurance reserve amount was reallocated from the statement of comprehensive income to the statement of changes in equity. The net impact was as follows:

	Previously Reported	Adjustment	Restated Amount
Net profit for 2017	<u>\$15,170,349</u>	<u>\$2,000,000</u>	<u>\$17,170,349</u>

There was an increase in the earnings per share at December 31, 2017 of \$0.10 to \$0.90.

24. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, operational risk, liquidity risk and market risk (including foreign exchange and interest rate risk). The Company's overall risk management policy is to minimise potential adverse effects on its financial performance and to optimise shareholders value within an acceptable level of risk. Risk management is carried out by the Company's management under direction from the Board of Directors.

The Board of Directors has established committees which are responsible for developing and monitoring the Company's risk management policies in their specified areas. These committees report to the Board of Directors on their activities. The committees and their activities are as follows:

Audit Committee

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

24. FINANCIAL RISK MANAGEMENT (continued)

Loans Committee

The Loans Committee is comprised of members of management who are responsible for approving staff loan applications and ensuring that only those that meet the requirements set out in the Staff Loan and Procedure Policy are approved.

The Company's exposure and approach to its key risks are as follows:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from the Company's trade receivables and financial investments.

Credit risk with respect to trade receivables is substantially reduced due to the policies implemented by management. Deposits are required from all customers upon application for a new service and management performs periodic credit evaluations of its general customers' financial condition.

With respect to credit risk arising from other financial assets, that of cash and cash equivalents and financial investments, the Company places these funds with highly rated financial institutions to limit its exposure.

The Company's maximum exposure to credit risk equals the carrying amount of its financial assets. Based on the above, however, management does not believe significant credit risk exists at December 31st, 2018.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

24. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance as outlined below.

Insurance risk

Prudent management requires that a company protect its assets against catastrophe and other risks. In order to protect its customers and investors, the Company has fully insured its plant and machinery, buildings, computer equipment and furniture against substantially all perils. The Company's Transmission and Distribution systems are uninsured and to mitigate this risk, the Company sets aside funds on an annual basis in a hurricane reserve.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management monitors the Company's liquidity reserve, which comprises overdraft facilities and cash and cash equivalents (Note 10), on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short term obligations.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

24. FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the Company's exposure to liquidity risk:

Balance at 31 st December, 2017	Current	31-60 days	61-90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	1,460,892	-	-	-	1,460,892
Income tax prepaid	-	-	92,157	-	92,157
Financial asset at amortised cost	3,018,879	-	-	30,587,990	33,606,869
Trade and other receivables	19,852,056	1,438,577	242,158	1,408,267	22,941,058
Inventories	<u>17,212,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,212,092</u>
	<u>41,543,919</u>	<u>1,438,577</u>	<u>334,315</u>	<u>31,996,257</u>	<u>75,313,068</u>
Current liabilities					
Short-term borrowings	2,296,406	-	1,001,042	3,003,125	6,300,573
Trade payables and accrued expenses	9,927,516	1,401,118	1,135,481	2,196,573	14,660,688
Consumers' advances for construction	-	-	-	1,167,900	1,167,900
Provision for retirement benefits	405,678	-	-	-	405,678
Provision for profit sharing	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,594,972</u>	<u>4,594,972</u>
	<u>12,629,600</u>	<u>1,401,118</u>	<u>2,136,523</u>	<u>10,962,570</u>	<u>27,129,811</u>
NET LIQUIDITY SURPLUS	<u>28,914,319</u>	<u>37,459</u>	<u>(1,802,208)</u>	<u>21,033,687</u>	<u>48,183,257</u>

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

24. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31st December, 2018	Current	31-60 days	61-90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	5,325,629	-	-	-	5,325,629
Financial asset at amortised cost	2,849,153	-	-	29,608,096	32,457,249
Trade and other receivables	21,722,818	1,839,076	219,413	862,093	24,643,400
Inventories	<u>18,091,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,091,756</u>
	<u>47,989,356</u>	<u>1,839,076</u>	<u>219,413</u>	<u>29,670,189</u>	<u>79,718,034</u>
Current liabilities					
Short-term borrowings	-	-	1,001,042	3,003,125	4,004,167
Due to related company	117,489	-	-	-	117,489
Trade payables and accrued expenses	13,307,248	888,915	538,328	5,413,709	20,148,200
Consumers' advances for construction	-	-	-	457,735	457,735
Provision for retirement benefits	193,554	-	-	-	193,554
Provision for profit sharing	-	-	-	4,775,925	4,775,925
Provision for income tax	<u>-</u>	<u>-</u>	<u>774,230</u>	<u>-</u>	<u>774,230</u>
	<u>13,618,291</u>	<u>888,915</u>	<u>2,313,600</u>	<u>13,650,494</u>	<u>30,471,300</u>
NET LIQUIDITY SURPLUS	<u>34,371,065</u>	<u>950,161</u>	<u>(2,094,187)</u>	<u>16,019,695</u>	<u>49,246,734</u>

GRENADA ELECTRICITY SERVICES LIMITED



**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)**

24. FINANCIAL RISK MANAGEMENT (continued)

Market risk

(i) Foreign exchange risk

Foreign exchange risk is the potential adverse impact on the Company's earnings and economic value due to movements in exchange rates.

The Company has a limited exposure to foreign exchange risk arising primarily from the purchases of plant, equipment and spares from foreign suppliers that are mainly transacted in United States dollars, which has a fixed exchange rate.

The Company has not entered into forward exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates.

(ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The company holds primarily fixed rate financial instruments and is therefore not significantly exposed to interest rate risk.

Capital risk management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may, subject to Board approval as appropriate, vary the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company also monitors capital on the basis of a target debt-to-equity ratio of 1.25:1 or less, indicating a strong financial position and financial flexibility. This ratio is calculated as total borrowings divided by total equity.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2018
(continued)

24. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management (continued)

The debt-to-equity ratios are shown below:

Capital structure

	2018	2017
	\$	\$
Total borrowings (Note 13)	<u>37,038,542</u>	<u>41,042,708</u>
Shareholders' equity	<u>86,510,233</u>	<u>78,606,639</u>
Debt to equity ratio	<u>0.43:1</u>	<u>0.52:1</u>